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STATEMENT OF

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HEARING ON

EXPIRING MEDICARE PROVIDER PAYMENT POLICIES

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HEALTH

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Chairman Herger, Ranking Member Stark and Members of the House Ways and Means Subcommittee on Health, I greatly appreciate the opportunity to provide testimony today on the need to extend current Medicare ambulance relief. My name is Stephen Williamson and I am the President of the American Ambulance Association (AAA) which is the trade association representing ground emergency and non-emergency ambulance service providers. In addition to being the President of the AAA, I am the President and CEO of Emergency Medical Services Authority which serves more than 1.1 million residents of Tulsa, Oklahoma City and surrounding areas with ambulance services.

Ambulance service providers currently receive a temporary 2% Medicare increase for ground ambulance services that originate in an urban area, 3% in a rural area and a 22.6% bump to the base rate in extremely remote or "super rural" areas. Medicare represents approximately 50% of the transports of an ambulance service provider which typically has fewer than six ambulances. The temporary increases therefore have been critical for an industry of predominately small businesses that under the best of circumstances operate only slightly above breakeven. The Government Accountability Office (GAO) confirmed this dire need for ambulance relief when it found that ambulance service providers are reimbursed by Medicare on average 6% below their costs as an industry and, even worse, 17% below cost in super rural areas.

For a majority of ambulance service providers, the temporary relief has made it possible to maintain adequate ambulance crew levels, stock ambulances with the proper supplies and continue to provide high quality and life saving ambulance services. However, with recent additional cuts in Medicare reimbursement, we are now finding even with the relief that ambulance service providers in some areas are laying off paramedics and emergency medical technicians (EMTs), scaling back services and unfortunately closing their doors. I therefore implore the Subcommittee to ensure that this critically needed temporary relief for ambulance service providers does not expire at the end of the year.

Ambulance Service Providers are America's Health Care Safety Net

Ambulance services are a critical component of our local and national health care and emergency response systems. Ambulance service providers respond to medical emergencies and provide health care to patients regardless of their ability to pay. When there is an accident at home and a loved one is in need of medical care, we know to dial 9-1-1 and an ambulance will be on its way. In many smaller communities, the ambulance service provider is the only readily available access to emergency medical care.

Ambulance service providers are also first responders both within their communities and on the national scene. Members of our association were involved with the response to the terrorist attack on the World Trade Center, evacuation of patients from Hurricane Katrina and were on the front lines during the recent flooding from Hurricane Irene in the Mid Atlantic and Northeast. Some of our members have traveled hundreds of miles to areas in need of medical help as a result of natural disasters. Adequate Medicare reimbursement directly influences not only response times and emergency medical services for the local community but for the nation as a whole.

Medicare Ambulance Fee Schedule Reimbursement is below Costs

The Medicare ambulance fee schedule has had inadequate funding since its inception which is why there is a need for relief. As part of the *Balanced Budget Act of 1997* (BBA), Congress directed the Centers for Medicare and Medicaid Services (CMS) to develop a fee schedule for Medicare reimbursement of ambulance services. As also directed in the BBA, CMS developed the fee schedule through the Negotiated Rule Making process allowing all stakeholders to participate. However, CMS could not use more money than what was already being spent on ambulance services for that year.

Prior to the implementation of the Medicare ambulance fee schedule in 2002, ambulance service providers had been reimbursed on a reasonable charge basis unlike most providers who were reimbursed based on costs. In some areas of the country, providers were able to work with their carriers to set rates that covered their costs. In most areas, however, providers were reimbursed well below their costs. At the time the rates for the ambulance fee schedule were set, there was therefore insufficient funding to ensure that rates were at least on average reimbursing providers at their cost.

Congress soon recognized the problem and enacted several temporary relief provisions in the *Medicare Modernization Act of 2003* (MMA). All of those provisions except for the "super rural" bonus payment for ambulance services in remote areas have expired. To determine how best to address a permanent fix to the Medicare ambulance fee schedule, as part of the MMA Congress requested that the GAO study the "cost, access, supply and quality of ambulance services" provided to Medicare beneficiaries.

In May of 2007, the GAO reported ambulance service providers are paid on average 6% below cost and 17% below cost in remote or "super rural" areas to provide ambulance services to Medicare patients. In the *Medicare Improvements for Patients and Providers Act of 2008* (MIPPA), Congress provided temporary 2% urban and 3% rural increases to both the base rate and mileage rate for ambulance services. The 2% urban, 3% rural and "super rural" bonus payment increases have since been extended, most recently in the *Medicare and Medicaid Extenders Act of 2010*, and are set to expire on December 31 of this year. The Congressional Budget Office (CBO) has scored a one-year extension of Medicare ambulance relief at $100 million over ten years.

While the findings of the current GAO report are still extremely germane, we believe that the disparity between Medicare reimbursement and the cost of providing ambulance services has actually widened. Since the report was released, Medicare reimbursement has been reduced by approximately 2% through a reduction in our inflation update and a policy change by CMS regarding payment of fractional mileage. From the patient care side, ambulance service providers are rendering more sophisticated care which improves patient outcome. This costs more money for the ambulance service provider but often has downstream savings for the Medicare program.

Impact of Temporary Medicare Ambulance Relief

The temporary Medicare ambulance relief has meant that a majority of ambulance service providers can continue to provide high quality health care. With the additional funding, ambulance crews now deliver patients to emergency departments in far better condition than even just a few years ago. Paramedics and EMTs are receiving training in new technology and enhanced procedures. For the patient, it means decreased hospital stays and less need for tests and treatments that would otherwise have been required.

If the relief were to expire, ambulance service providers would not have the funding to invest in technology that saves lives such as equipment to diagnose patients experiencing heart attacks. The relief has allowed providers to purchase equipment and train paramedics and EMTs to send while in transport vital information about a potential heart attack victim to doctors in the emergency department. The ambulance crew can quickly confirm that it is indeed a heart attack, begin the proper life saving treatment, send valuable information to the doctor, and transport the patient to a hospital that specializes in treating heart attack patients. This investment is thus saving more lives and preventing costly and unnecessary open heart surgery.

While the relief is enabling some providers to invest in new technology, other providers rely on the funding to maintain current service by helping pay the salaries of paramedics and EMTs and repairs for ambulances. Without the relief, some providers would have to cut back on the number of ambulance crews, scale back their service area or discontinue service altogether. This has already been demonstrated when ambulance service providers in Oregon did not receive three months of retroactive relief until nearly a year later. The provider for Huntington, Oregon had to discontinue service and the provider for Milton-Freewater is fighting to stay open.

While the situation in Oregon is especially dire, the dilemma is not isolated to just that state. Even with the relief, providers in almost every state have had to scale back services or reduce the number of ambulance crews. The immediate result is longer response times for an ambulance to arrive at a medical emergency. While the impact of the relief varies by provider, ambulance service providers rely on the temporary relief to help ensure patient access to critical and life saving ambulance services is not jeopardized.

Ambulance Service Providers Being Financially Squeezed

The GAO report identified that ambulance service providers are being reimbursed on average 6% below their costs by Medicare. As I stated earlier, Medicare patients account for about 50% of the volume of an ambulance service provider. Medicaid accounts for an additional 10% of their volume and the uninsured another roughly 10%. Most states reimburse for Medicaid at about half the Medicare rate. So for 70% or more of their services, ambulance service providers are reimbursed at either well below their cost or not reimbursed at all.

In the past, ambulance service providers had been able to shift more of the costs to the 30% of payors who reimburse at or above cost. That is no longer the case. More and more private payors are tying their reimbursement levels to the Medicare rates. This is squeezing ambulance service providers and demonstrates why it is that much more critical that Medicare reimburse ambulance services at least at cost.

A More Permanent Solution to Below Cost Medicare Reimbursement

The Medicare ambulance fee schedule is in need of a one-time infusion of funds to permanently fix the problem of below cost reimbursement. The findings of the May 2007 GAO report should be the basis of that fix. Congressmen Charles Boustany and Richard Neal and Senators Charles Schumer, Pat Roberts and Kent Conrad have introduced the *Medicare Ambulance Access Preservation Act* (H.R. 1005, S. 424) to address this critical need for a permanent solution. The bill would replace the current temporary 2% urban and 3% rural base and mileage increases with a five-year 6% increase as cited in the GAO report. The legislation would also extend for five years the "super rural" bonus payment of 22.6% to the base rate. For providers in "super rural" areas, the 22.6% base rate bump plus the 6% rural increase to the base rate and mileage rate would equal the 17% overall shortfall determined by the GAO. Until Congress can address a more permanent fix, we ask that the current relief be extended.

Potential Offsets to Extensions of Medicare Ambulance Relief

The AAA recognizes the significant difficult fiscal decisions facing policymakers. Our association has taken steps to ensure ambulance service providers are providing quality, efficient care to Medicare beneficiaries. We continue to present our members with robust, ongoing training to enhance care even further and promote best practices. We have developed forums within our association to create the initial stages of a quality improvement and reporting system. Finally, while our industry has one of the lowest payment error rate percentages of any health care provider group, we are helping CMS identify and root out waste and abuse in the Medicare program.

In addition to the above steps that the AAA has undertaken to help reduce costs to Medicare and potentially offset ambulance relief, we acknowledge that systemic reforms must also be considered to ensure the continued viability of the Medicare program and help reduce the deficit. The AAA notes the recent proposal released by the Healthcare Leadership Council as worthy of consideration. While we have not formally endorsed the proposal, it identifies the type of changes that are necessary to help achieve significant savings within Medicare which could be partially used to offset ambulance and other provider relief. Two of the recommendations, the implementation of medical liability reform and the creation of a new "Medicare Exchange" in which provide plans could participate, have particular promise. The AAA has long supported efforts to limit medical liability for emergency medical service providers. The AAA looks forward to working with the Committee as it considers these and other proposals to strengthen the Medicare program.

Conclusion

The current temporary Medicare ambulance relief is doing exactly what is intended. It is allowing a majority of ambulance service providers to maintain current levels of high quality and critically needed emergency and non-emergency ambulance service. The loss of the relief compounded by additional recent cuts in Medicare ambulance reimbursement would change that delicate balance. Providers would have to make difficult decisions that impact patient care and could limit access for everyone in their community to these life saving services. As I stated earlier, some providers have already had to make those very tough decisions and have reduced the number of ambulances serving a community or closed their doors altogether.

Knowing that Congress will extend the temporary relief and address more permanent solutions in the future will allow providers to budget for next year and hopefully many years. Providers will be able to retain or even hire new staff, invest in new equipment and respond to communities outside of their service area that are hit by a natural disaster. This will result in better patient care and ensuring that an ambulance will respond quickly when you call 9-1-1.

About the American Ambulance Association

The American Ambulance Association is the primary national trade association for providers of emergency and non-emergency ambulance services. The AAA is comprised of more than 600 ambulance service operations which account for providing services to over 75% of the U.S. population. AAA members include private, public, fire-based, hospital-based and volunteer ambulance service providers serving urban, suburban and rural areas. The AAA was formed in 1979 in response to the need for improvements in medical transportation and emergency medical services.